

FIRST HOME OWNER GRANT COULD BE FIRST MISTAKE FOR NAIVE PROPERTY BUYERS

With the plethora of government grants tempting people into the property market at a record rate, one housing affordability expert is warning that 'not all grants are created equal' and buyers should be very strategic when contemplating which one to go for.

Many first-time buyers are seduced by the First Home Owner Grant (FHOG) and seek to buy a property to live in as their first purchase. But housing affordability expert Ian Ugarte explained this could easily skew the 'wish list' for first home buyers and shackle them to a property that will not actually advance their property growth.

"Just because a grant is available to you, doesn't mean you should rush out and grab it with both hands," Ugarte, the Small is the New Big co-founder, said.

"It comes down to mindset when purchasing property, particularly your first, and the mindset of a buyer who's looking for a home to live in is different to the mindset of one who's looking for an investment.

"An investor sees the property market through a different lens – not picturing themselves in the home, rather seeing it as a stepping-stone to getting into their forever home faster.

"For most people, the days of expecting your first home to be the one in which you settle, raise a family, and retire are long gone.

"With this change in zeitgeist, comes a need to change what a person's first property purchase should be. The first property should be seen as the first step in your property journey, and one step closer to getting your foot in the door of your dream home."

Mistakes that Ugarte has witnessed first home buyers make include:

- Deliberating for longer if they plan to live in their first home – meaning prices continue to rise on the indecisive buyer
- Not scrutinising the property for its investment potential
- Paying a significant opportunity cost for not acting sooner
- Buying in new house-and-land developments which have a slower rate of growth due to excess supply

With economists at the Commonwealth Bank predicting Australia's latest housing boom would deliver significant price increases across every capital city by 2022, Ugarte said that a delay of a year whilst buyers search for their 'dream home' could mean they end up paying up to **20 percent more** for the same property.

"What most people don't realise is that if they own an investment property but have never lived in it, they are still eligible for the First Homeowners Grant in most states. This means a person could accumulate two or three investment properties to help leverage them into a home that better fits their description of a 'dream home'," Ugarte explains.

Ugarte advised budding buyers to adjust the criteria of their search to uncover potential growth areas for someone else to live in first, and worry about their own white picket fence down the track.

For information on why first home buyers shouldn't claim the FHOG when purchasing their first home, contact Bec Derrington, 0408 062 354.